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HIGHLIGHTS

- The IRS has provided guidance on when wearable devices qualify as medical expenses that can be paid or reimbursed by a health FSA, HRA or HSA.
- This determination depends on the specific facts and circumstances, including the device's functions and the reason for purchasing and using it.
- A wearable device is not a reimbursable medical expense just because it tracks health-related data.
- To qualify as a reimbursable medical expense, the individual must purchase and use the device primarily to help with the diagnosis, cure, mitigation, treatment, or prevention of a specific disease.

IRS Addresses When Health FSAs, HRAs and HSAs Can Pay for Wearable Devices

The IRS recently updated its frequently asked questions (FAQs) about medical expenses related to nutrition, wellness and general health to specifically address when the cost of a wearable device is a medical expense that can be paid or reimbursed by a health flexible spending account (FSA), health reimbursement arrangement (HRA) or health savings account (HSA). Wearable devices are an increasingly popular way to track bodily functions or other health-related information and may include fitness bands, smart rings, smartwatches, patches, sensors or similar devices.

Qualified Medical Expenses

Health FSAs, HRAs and HSAs can be used to pay out-of-pocket costs for qualified medical expenses that are not covered by a health plan. Qualified medical expenses must be incurred primarily to alleviate or prevent a physical or mental defect or illness. These expenses include payments for medical services rendered by physicians, surgeons, dentists and other practitioners. They include the costs of equipment, supplies and diagnostic devices needed for these purposes. They also include the costs of medicines and drugs, whether prescribed by a physician or purchased over the counter. However, expenses that are merely beneficial to general health are not qualified medical expenses.

Wearable Devices

According to the IRS's FAQs, whether the cost of a wearable device is a medical expense depends on all the facts and circumstances, including the **device's functions and the reason it was purchased and used**. The cost of a wearable device that has both medical and nonmedical uses, which include tracking information related to general wellness, fitness or sleep, as well as other personal uses, is not a medical expense merely because the device tracks information that relates to health generally or because it tracks bodily functions like blood pressure or blood glucose levels that are or can be affected by specific diseases.

However, the cost of such a device is a medical expense **if the individual purchases and uses the device primarily to assist in the diagnosis, cure, mitigation, treatment or prevention of a specific disease**. In determining whether the device was purchased and used primarily for that purpose, relevant facts and circumstances may include:

- A recommendation from a medical practitioner;
- The individual's symptoms, diagnosis, abnormal test results or risk factors;
- The relationship between the information tracked and the disease being evaluated or managed; and
- The way the information is reviewed or used.

A generalized desire to monitor or improve health is not sufficient for the device to be a medical expense. In addition, the cost of any accessories, add-ons or software subscriptions used with the device is a medical expense only if those items are purchased primarily to serve that medical purpose.

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